

WORLD COM

ORIGINAL

Lawrence Fenster
Senior Economist
Law and Public Policy

1133 19th Street, NW
Washington, DC 20036
202 736 6513
Fax 202 736 6592

RECEIVED

SEP 27 2001

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

September 27, 2001

Magalie Roman-Salas
Secretary
Federal Communications Commission
445 12 St., S.W.
Washington, D.C. 20554

Re: Ex Parte, Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, RBOC/GTE Interim Compensation Proposal, CC Docket No. 96-128.

Dear Ms Salas:

Yesterday Larry Fenster, Craig Crowley, and Dianne Moore of WorldCom, Inc., met with the following Commission staffers of the Competitive Pricing Division: Lynne Milne, Jon Stover, and Doug Galbie. The attached materials were handed out at the meeting. We discussed WorldCom's proposals regarding the appropriate rate for interim period payphone compensation; the appropriate interest rate to use for deferred compensation payments; the appropriate estimate of calls made from payphones during this period of time; how to allocate compensable calls among carriers during this time; how to treat 0+ calls during the interim period; and administrative procedures that would minimize disputes in the reconciling the per-call period true-up to the interim period.

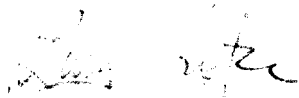
In particular, we discussed a new WorldCom proposal to use toll free revenue data that may be obtained from Frost and Sullivan to allocate per phone estimates of dial-around calls among carriers.¹ Toll free market share data is immediately available for the 6 largest

¹ The Growing Importance of Toll-Free and 900/976 Number- Services, Frost and Sullivan, 1997.

Handwritten: C+1
Machine: 12345678

interexchange carriers and the 9 largest local exchange companies, and was submitted in the attached document. WorldCom relayed conversations it has had with Frost and Sullivan that toll free revenue and market share data would be available for a total of 100 interexchange carriers and 15 local exchange carriers for a one-time retrieval fee. The submitted data covered the 1996 calendar year, and is also available for the 1997 calendar year.

Sincerely,

A handwritten signature in dark ink, appearing to read "Larry Fenster", is positioned above the printed name.

Larry Fenster
202-736-6513

Cc: Lynne Milne
Jon Stover
Doug Galbie

Interim Compensation Remand

9/26/01

 **WORLD[★]COM[™]**

Finalize Interim Compensation By:

- Deciding issues according to principles that promote finality.
- Choosing the most reliable, least controversial, estimate of interim period calls.
- Establishing flexible options for 0+ compensation.
- Applying appropriate interest levels to unpaid obligations.
- Managing interim compensation payments to minimize disputes.

Principles To Promote Finality

- Rely on data and methods accepted by the Court
- Rely on publicly available data
- Rely on data from the interim period
- Build on existing consensus

Retain 131 Per Phone Estimate of Subscriber and Access Calls

- 131 calls accepted by the Court
- Based on interim period data
- Only 3 parties support using data from per call periods

Allow Payors 3 Methods To Make 0+ Payments

- Prior contractual arrangements
- Payment based on records of 0+ calls during interim period
- Default 0+ Estimate

Determine Default 0+ Call Share

Data Source	0+ Calls as % of Compensable Calls
APCC (7/1/1996)	16.44%
Peoples (7/1/1996)	15.61%
Average	16.03%

Determine Default Interim Period Calls Per Phone

Subscriber and Access Call Average	131
---------------------------------------	-----

0+ Default (16%)	25
------------------	----

Total	156
-------	-----

Toll Free Revenues Are A Reliable Compensation Allocator

- Dial around calls were primarily toll free calls during interim period
 - 10-321 only introduced 1st quarter 1997
 - No national market presence until November 1997
- Carriers' 800 products should have same market share whether a call is placed from payphone or from home.
- All but RBOC Coalition and Sprint find subsequent period call data to be an unreliable and unworkable estimate of interim period call base.
- Lack of Flex ANI means independent PSPs would be undercompensated.

Toll Free Market Share Data Is Readily Available

Carrier	1996 Toll Free Market Share
AT&T	53.38%
MCI	24.69%
Sprint	12.90%
WorldCom	3.80%
Frontier	2.20%
LCI	0.90%
Other IXC's	2.10%
LECs	.03%
Source: U.S. Toll Free and 900/976-Number Service Markets, Frost & Sullivan, 1997	

9/26/01

**WORLD[★]COM.**

Apply Appropriate Interest Payments

- Apply IRS penalty rate, not 11.25%, to outstanding claims
- Begin interest accrual only subsequent to validation of payphone ANI by NPC

Net Interim Payments Against Per Call Period Rate True Up

- Necessary to set a rate for the Interim Period.
- Rate should be 23.8 cents since LECs had not taken any steps towards Flex ANI during Interim Period.
- Payments for Interim Period should be made at same time as true-up for per call period.

Manage Administrative Issues To Minimize Disputes

- Compensation due to owner of record
- Prohibit new claims for interim period
- Allow 180 days to process settlements
- Time settlements to coincide with regular quarterly compensation payments

Summary

- 131 calls per phone remains the most reliable, and is the most accepted, estimate of interim compensation
- Payors should be able to choose one of 3 methods of compensating 0+ calls.
- Toll free revenues provide the most reliable, and readily available, data to allocate interim payphone responsibility.
- Appropriate interest should be applied.
- Rate true-ups for multiple periods, rates and methods must be manageable.
- Administrative issues must be clarified to minimize disputes.

Figure 4-9

**Domestic Interexchange Carrier Toll-Free Services Market:
Company Market Share by Revenues (U.S.),
1992, 1996**

<i>Company</i>	<i>1996 (%)</i>	<i>1992 (%)</i>
AT&T.....	53.4	73.2
MCI Communications	24.7	14.2
Sprint.....	12.9	7.9
WorldCom	3.8	1.5
Frontier.....	2.2	N/A
LCI International	0.9	0.3
Others	2.1	2.2
TOTAL.....	100.0	100.0

Others include Abco Communications, ACC Long Distance, Action Telecom, AddTel Communications, Advanced Communications Network, Advanced Telecom Services, ALLTEL, Americall, American Long Lines, American Network Exchange, American TelNet, Arcada Communications, Ascending Technologies, Atlantic Connections, Available Communications, Branson Telephone, Brooks-Bittel Long Distance, Cable & Wireless Communications, Call Interactive, Capital Telecommunications, Century Telephone Enterprises, Cincinnati Bell, Citizens Equality Plus, Citizens Telecom, ClearTel Communications, Coast International, Communications Services of Colorado, Communigroup, Conestoga Telephone, ConQuest Telecommunications Services, Consolidated Communications, C-TEC, Delta Comm, Dial U.S., East Florida Communications, ECI Communications, Executone Information Systems, Feist Long Distance, Forestel, Fox Communications, GFC Communications, GTE, Hemisphere Communications, IDS Long Distance, Intelicom, Interactive Strategies, Intermedia Communications, Iowa Network Services, KCI Long Distance, L.D.C. Consultants, Long Distance Direct, Marathon Communications, Matrix Telecom, Metrocom, Midco Communications, Midwest Telecom of America, Minnesota Equal Access Network Services, National Communications Association, National Tel, National Telephone & Communications, National Teleservice, Network Long Distance, Network Plus, Network Telephone Services, NOS Communications, NTS Communications, One Call Communications, Phoenix Fiberlink, Procom, Product Line, Shared Communications Services, Southern New England Telecommunications, Start Technologies, Strategic Alliances, Target Telecom, Teladvantage America, Telcorp, Telecare, Tele Tech, Transamerica Communications, TTE of Maryland, United Communications, United Communications Systems, United Telephone Long Distance, U.S. Link, U.S. Long Distance, Valu-Line Long Distance, Voicetext Interactive, Westel, West Teleservices, WorldTel Services, World X-Change Communications, and Zycom Network Services.

Note: All figures are rounded.

Source: Frost & Sullivan

Market Share and Service Analysis

Figure 5-4 and Chart 5.4 show company market share in the local exchange carrier toll-free services market.

Figure 5-4
Local Exchange Carrier Toll-Free Services Market:
Company Market Share by Revenues (U.S.),
1992, 1996

<i>Company</i>	<i>1996 (%)</i>	<i>1992 (%)</i>
Pacific Telesis	25.7	22
NYNEX.....	22.5	18
Ameritech.....	11.0	12
Bell Atlantic	9.9	11
GTE	8.7	7
U S West.....	7.1	9
Southern New England Telecommunications	5.1	N/A
BellSouth.....	4.9	10
SBC Communications.....	3.6	7
Others	1.5	4
TOTAL.....	100.0	100.0

Others include ALLTEL, AT&T, Century Telephone Enterprises, Cincinnati Bell, C-TEC, and Sprint.

Note: All figures are rounded.

Source: Frost & Sullivan

Pacific Telesis continues to generate the largest market share for intraLATA toll-free services. In 1992, Pacific Telesis had a 22 percent market share, which increased to 25.7 percent in 1996.

The large share of intraLATA toll-free revenues generated by Pacific Telesis is the result of Pacific Bell's services and the configurations of the LATAs in California. One LATA runs along the coast from the Oregon border to Santa Cruz, just north of the Monterey Peninsula. It encompasses most of four area codes, and includes the cities of San Francisco and Oakland. Another LATA runs from the coast to the Nevada

Calculate 0+ Default

Subscriber + Access Call Data from First Order para 126

Peoples	129
Communications Central	130
Teleleasing	124
APCC	140
RBOCs	132
Average	131

	0+	0-	00-	0+ as % of all Operator Calls
1. Use APCC (7/1/96) 0+ as % of Operator Calls	28	10	1	71%

	0+, 0-, 00- as % of Coin & NonCoin	Apply APCC 0+ % of operator calls	Peoples 0+ as % of Coin and Non- Coin
2. Apply Step 1 to get Peoples 0+ as % of Operator Calls	5.03%	71%	3.58%

	Dial Around as % of Coin and Non Coin Calls		0+ as % Dial Around
3. Peoples 0+ as % of Compensable Calls	23%	$3.58 / 23 =$	15.61%

	0+ Calls	Total Dial Around	% of 0+
APCC 7/1/96	28	170.33	16.44%
Peoples 7/1/96			15.61%
4. Average of 0+ %			16.03%

5. Calculate 0+ Call Count from 0+ % Average

$$x/(x+131) = .1603$$

Solve for x= 25.01